

## 2013 DRAFTING REQUEST

### Assembly Amendment (AA-AB385)

Received: 2/21/2014 Received By: mshovers  
Wanted: As time permits Same as LRB:  
For: Joe Sanfelippo (608) 266-0620 By/Representing: Josh  
May Contact: Drafter: mshovers  
Subject: Local Gov't - room tax Addl. Drafters:  
Extra Copies: EVM

Submit via email: YES  
Requester's email: Rep.Sanfelippo@legis.wisconsin.gov  
Carbon copy (CC) to:

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#### Pre Topic:

No specific pre topic given

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#### Topic:

Changes to the local room tax

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#### Instructions:

See attached. Remove provisions from the bill to address the concerns raised by Mayor Ament in the attached letter

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#### Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	chanaman 2/24/2014	kfollett 2/24/2014	rschluet 2/24/2014	_____	mbarman 2/24/2014		
/1				_____	sbasford 2/24/2014	sbasford 2/24/2014	

FE Sent For:

<END>

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/P1	mshovers 2/21/2014	evinz 2/21/2014	jmurphy 2/21/2014	_____	mbarman 2/24/2014		

FE Sent For:

115f  
2/24

<END>

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/P1 mshovers

FE Sent For:

1/Pl eev 2/21/14  
2/24/14 2/21/14  
2/21/14  
2/21/14  
2/21/14

## Shovers, Marc

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**From:** Rep.Sanfelippo  
**Sent:** Friday, February 21, 2014 2:13 PM  
**To:** Shovers, Marc  
**Subject:** FW: City of New Berlin Opposes AB385  
**Attachments:** New Berlin opposes AB385.pdf

Best Regards,

Josh Hoisington  
Office of Representative Joe Sanfelippo  
15th Assembly District  
608.266.0620

NOTE: Emails sent to and from this account may be subject to open records requests and should not be considered private.

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**From:** Styba, Melody [<mailto:mstyba@newberlin.org>]  
**Sent:** Tuesday, February 18, 2014 10:58 AM  
**To:** Rep.Ott; Rep.Hulsey; Rep.Kaufert; Rep.Hesselbein; Rep.Bies; Rep.Hebl; Rep.Billings; Rep.Ballweg; Rep.Kleefisch; Rep.Born; Rep.Czaja; Rep.Endsley; Rep.Swearingen; Rep.Doyle; Rep.Ohnstad  
**Cc:** Council; Rep.Sanfelippo; Rep.Kuglitsch; Sen.Vukmir; Sen.Lazich  
**Subject:** City of New Berlin Opposes AB385

On behalf of the City of New Berlin, Mayor Dave Ament wishes to express his strong opposition to AB385.

Please see attached letter of opposition.



**Melody Styba - Executive Assistant, Mayor's Office**

City of New Berlin 3805 S Casper Dr New Berlin WI 53151  
262-797-2441 [www.newberlin.org](http://www.newberlin.org) [mstyba@newberlin.org](mailto:mstyba@newberlin.org)

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## Mayor David A. Ament

3805 South Casper Drive • New Berlin, Wisconsin 53151-0921 • (262) 786-8610 • Fax (262) 786-6121 • [www.newberlin.org](http://www.newberlin.org)

**DATE:** February 18, 2014

**TO:** Assembly Committee on Tourism (via email)

- Rep. Kaufert, Chair
- Rep. Bies, Vice-Chair
- Rep. Czaja
- Rep. Kleefisch
- Rep. Endsley
- Rep. Born
- Rep. Ott
- Rep. Swearingen
- Rep. Ballweg
- Rep. Billings
- Rep. Hulsey
- Rep. Doyle
- Rep. Hebl
- Rep. Ohnstad
- Rep. Hesselbein

**FROM:** Mayor Dave Ament, City of New Berlin

**RE:** AB 385 – Room tax Law Changes

On behalf of the City of New Berlin, I wish to express my *strong* opposition to AB 385 which makes several significant changes to the room tax law. This proposed bill reduces local discretion over the use of room tax revenue at the expense of our city property taxpayers.

This bill eliminates municipal discretion to spend room tax revenues directly on tourism promotion and development. Currently, the required expenditure may be spent directly by the city or forwarded to a local tourism entity. This bill *mandates* that cities must forward room tax revenues to a tourism entity or commission, a body *not directly accountable* to our taxpayers.

This bill also requires municipalities that retain more than 30 percent of the room tax revenue under ordinances adopted prior to 1994 to reduce the amount retained to no more than 30 percent over a six-year period. This will result in a yet another shortfall in many municipal budgets.

Finally, this bill authorizes DOR to impose a \$3,000 penalty for failure to file an annual room tax report with the agency. The City of New Berlin has no issue with the reporting requirements, however, we do have a concern with the stiff penalty should a municipality inadvertently fail to file the report.

In addition, when I review the Fiscal Estimate (copy enclosed) from the DOR on the bill, I find some disconcerting information. The report indicates that the Fiscal Effect on local governments is "indeterminate." The narrative then goes on to state:

*"Based on data from the municipal financial report form filed with the Department of Revenue (DOR) for 2011, 268 municipalities imposed the room tax and total collections were \$59,615,435. The DOR is not provided with information on the rates used or the use of the tax proceeds."*

It appears to me that this bill is making recommended changes that could possibly affect the budgets of 268 municipalities without knowing all the facts. How will this bill ultimately affect the local budgets of those 268 municipalities?

The City of New Berlin *strongly* opposes this bill. It is viewed, once again, as an interference with matters of local control. We find ourselves under severe budgetary constraints already. It does not make sense to drill yet another hole into our local budgets. Municipalities use this revenue to pay for police and fire services provided to hotels and to pay for other municipal services necessary for tourism to thrive.

*Local municipalities are the best suited to make the proper decisions regarding the spending of their room tax revenues.* The City of New Berlin can most appropriately determine how best to expand and promote the tourism of our fine municipality. I ***strongly*** urge you to vote against the passage of AB385.

Sincerely,



Mayor David Ament  
City of New Berlin

enclosure

cc (via email): Representative Mike Kuglitsch  
Representative Joe Sanfelippo  
Rep. Mary Lazich

Rep. Leah Vukmir  
City of New Berlin Aldermen

## Fiscal Estimate - 2013 Session

☒ Original      ☐ Updated      ☐ Corrected      ☐ Supplemental

<b>LRB Number</b> 13-2963/1		<b>Introduction Number</b> AB-0385	
<b>Description</b> Changes to the local room tax			
<b>Fiscal Effect</b>			
<b>State:</b>			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
<b>Local:</b>			
<input type="checkbox"/> No Local Government Costs			
<input checked="" type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
<b>5. Types of Local Government Units Affected</b>			
<input checked="" type="checkbox"/> Towns		<input checked="" type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input checked="" type="checkbox"/> Cities	
<input type="checkbox"/> WTCS Districts			
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Daniel Huegel (608) 266-5705		Robert Schmidt (608) 267-9892	
		<b>Date</b>	
		10/1/2013	

## Fiscal Estimate Narratives

DOR 10/1/2013

LRB Number	13-2963/1	Introduction Number	AB-0385	Estimate Type	Original
<b>Description</b> Changes to the local room tax					

### Assumptions Used In Arriving at Fiscal Estimate

Under current law, a municipality may impose a tax on the privilege of furnishing, at retail, rooms or lodging to transients by hotels, motels, and others providing accommodations that are available to the public. This tax is referred to as the room tax. The bill makes several changes to the law on the room tax.

Two of the changes are expected to have minimal fiscal impact. (1) Current law defines a "tourism entity" as a nonprofit organization that existed January 1, 1992 to provide services to the tourism industry in a municipality. The bill defines a "tourism entity" as a nonprofit organization that came into existence before January 1, 2013 that spends at least 51% of its revenue on tourism promotion and tourism development and provides destination marketing staff and services for the tourism industry in a municipality. (2) A municipality or group of municipalities that impose the room tax may create a commission to coordinate tourism promotion and tourism development. While current law specifies that one commission member must represent the Wisconsin hotel and motel industry, under the bill a majority of the commission members must, in general, be owners or operators of restaurants, tourist attractions, or lodging facilities collecting the room tax located in the municipality imposing the room tax.

### ROOM TAX PROCEEDS AND ADMINISTRATION

Under current law, the municipal room tax is administered by the municipality that imposes the tax. For most municipalities, the maximum room tax rate is 8.00%. Based on data from the municipal financial report form filed with the Department of Revenue (DOR) for 2011, 268 municipalities imposed the room tax and total collections were \$59,615,435. The DOR is not provided with information on the rates used or the use of the tax proceeds.

Current law permits a municipality that imposed the room tax on May 31, 1994 to retain the same percentage of proceeds for as it retained on that date. If the room tax was imposed after May 31, 1994, or if the room tax rate was increased after that date, at least 70% of the proceeds from the new tax or increase in tax rates must be spent on tourism or forwarded to the municipality's tourism commission. Under the bill, any municipality that retains more than 30% of its room tax proceeds would be required to reduce that percentage to no more than 30% in equal amounts over a six-year beginning January 1, 2015 and ending January 1, 2020. Since the DOR does not administer the room tax and does not collect information on how the room tax is used, an estimate of the reduction in retained room tax collections the bill would engender is not available.

Current law is silent regarding whether a party required to collect the room tax may retain a portion of the proceeds to defray some or all of the costs of collecting the tax. Current law is also silent on when room tax collections must be remitted to the municipality. Under the bill, a municipality may permit a party collecting the room tax to retain 3% of the tax collected (or a higher percentage if the municipality so chooses) to cover the party's collection costs. If every municipality that imposes the room tax allows entities collecting the tax to retain the allowed 3%, room tax collections would decline by about \$1.8 million. The bill also directs municipalities to establish a time frame within which room tax collections are to be remitted to the municipality.

Under the bill, every municipality that imposes the room tax will be required to annually certify and report to the DOR their prior year room tax collections, room tax rate, and a detailed accounting of the amounts forwarded to a commission or tourism entity. Information on spending in amounts of at least \$1,000 by a commission or tourism entity, the identity of the members of a commission or tourism entity, and their business or employment affiliation, if any, will also be required. DOR will be required to collect these reports and make them available to the public. The DOR would also be allowed to impose a penalty of not more than \$3,000 on a municipality that fails to file the report, and the municipality would be prohibited from using room tax proceeds to pay this penalty. The DOR will incur one-time costs to develop and test a reporting form for municipalities to use when filing the required information with the DOR. This cost can be absorbed



in current budgetary resources.

#### **DISPUTE PROCESS**

Current law does not provide an explicit procedure for municipalities to follow if issues related to the use of room tax proceeds arises. The bill permits a municipality's tourism entity or tourism organization to file a complaint with the municipality alleging that the municipality is not allocating its room tax revenue as required by law. The municipality would have 60 days to reply in writing to the complaint. If the parties are unable to settle their differences, the bill provides for a mediation process to resolve the dispute.

The DOR is unable to reasonably project the number of disputes that might enter the mediation process created under the bill. Since the DOR is not anticipating that it will be the agency to handle these mediations, this part of the bill is expected to impose no administrative costs on the DOR.

#### **Long-Range Fiscal Implications**



ellv  
RMR

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

**ASSEMBLY AMENDMENT ,  
TO ASSEMBLY BILL 385**

WANTED:  
Monday  
10 a.m.

- 1 At the locations indicated, amend the bill as follows: ✓
- 2 1. Page 4, line 20: delete the material beginning with that line and ending with
- 3 page 5, line 16. ✓ either be either be
- 4 2. Page 6, line 15: delete "spent" and substitute "spent". ✓
- 5 3. Page 6, line 16: delete that line and substitute "directly by the municipality
- 6 on tourism promotion and tourism development or shall be". ✓
- 7 4. Page 6, line 18: delete ". or forwarded to a tourism entity". ✓
- 8 5. Page 6, line 20: delete "If Subject to par. (dm), if" and substitute "If". ✓
- 9 6. Page 7, line 4: delete "spent directly by the" and substitute "spent directly
- 10 by the". ✓

1 7. Page 7, line 5: delete that line and substitute "municipality on tourism  
2 promotion and tourism development or shall be forwarded to the".

3 8. Page 7, line 6: delete "a commission," and substitute "a commission".

4 9. Page 7, line 7: delete that line and substitute: a period.

5 10. Page 8, line 7: delete lines 7 to 16.

6 11. Page 9, line 9: delete lines 9 to 12.

7

(END)

7/ Page 9, line 14: delete "with municipality" and substitute  
"with a municipality".



State of Wisconsin  
2013 - 2014 LEGISLATURE



LRBa1957/P1  
MES:eev:jm

Now

Stays

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

ASSEMBLY AMENDMENT ,  
TO ASSEMBLY BILL 385

- 1 At the locations indicated, amend the bill as follows:
- 2 **1.** Page 4, line 20: delete the material beginning with that line and ending with
- 3 page 5, line 16.
- 4 **2.** Page 6, line 15: delete “either be ~~spent~~” and substitute “either be spent”.
- 5 **3.** Page 6, line 16: delete that line and substitute “directly by the municipality
- 6 on tourism promotion and tourism development or shall be”.
- 7 **4.** Page 6, line 18: delete “, or forwarded to a tourism entity”.
- 8 **5.** Page 6, line 20: delete “If Subject to par. (dm), if” and substitute “If”.
- 9 **6.** Page 7, line 4: delete “~~spent directly by the~~” and substitute “spent directly
- 10 by the”.

**7.** Page 7, line 5: delete that line and substitute “municipality on tourism promotion and tourism development or shall be forwarded to the”.

**8.** Page 7, line 6: delete “a commission,” and substitute “a commission.”.

**9.** Page 8, line 7: delete lines 7 to 16.

**10.** Page 9, line 9: delete lines 9 to 12.

**11.** Page 9, line 14: delete “with municipality” and substitute “with a municipality”.

**(END)**